



Small HA Regulation Reform

As part of its ongoing regulatory reform efforts, PHADA has developed a proposal to reform the regulatory regime for small HAs that includes monitoring, oversight and rent reforms, regulatory simplification, proposals to facilitate housing development, and improvements to the definition of small HAs.

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Many recommendations in PHADA's reform proposal address matters raised by a HUD-commissioned study of small HAs. The study found, "...HUD's level of effort for small PHAs is grossly disproportionate to the level of risk, total units involved, and subsidy dollar volume."

The proposal offers small HAs substantial regulatory reform and simplification but it retains fundamental protections for tenants and participants, honors the existing rent ratio, and requires protection of tenants and participants suffering unanticipated hardships.

Monitoring and Oversight

Agencies with 50 assisted housing units are subject to the same monitoring and oversight standards as agencies with 50,000 assisted housing units. To relieve small HAs of these disproportionate requirements, PHADA proposes to reform the Public Housing Assessment System (PHAS) and the Section 8 Management Assessment Program (SEMAP) as both apply to small HAs. These reforms reduce the number and complexity of assessment indicators and the frequency of assessing some elements of program performance.

Assessments

1. PHAS: Assess small HA performance in public housing using a single, simple indicator for each current assessment area using criteria such as
 - a. Physical condition: Less frequent REAC inspections (well performing private sector assisted housing owners undergo REAC inspections every 3 years).
 - b. Financial condition: A single financial ratio.
 - c. Management condition: A single measure related to several management functions, such as a ratio of unit months occupied to unit months available.
2. SEMAP Assess small HA performance in the HCV program using a single, simple indicator for both current assessment areas using criteria such as:
 - a. Housing quality: HQS inspections are completed at initial lease up and at a lower frequency than currently required thereafter. The proposal would not affect participants' ability to request HQS inspections, or HAs' ability to conduct more frequent inspections.
 - b. Management: A measure of resource utilization such as the proportion of funded units or allocated budget in use.
3. In both cases, evaluate performance of small HAs using standards for outstanding and standard performance.
4. If performance falls below a standard threshold, provide a process for corrective action agreed to by HUD and the HA over one year or a longer period of time.

Rent Reform

Calculating rents in assisted housing program is a complex, burdensome and error prone process. This proposal would permit small HAs to implement substantially simpler rent structures in their public housing and HCV programs.

Rent and Income

1. Small HAs could chose to use
 - a. A tiered rent structure charging
 - i. Extremely low income residents 30 percent of 10 percent of the area median income (AMI),
 - ii. Very low income residents 30 percent of 30 percent of AMI,
 - iii. Low income residents 30 percent of 50 percent of AMI, and
 - iv. Market comparable rents for residents with incomes over 80 percent of AMI.
 - b. A rent structure based on 26 percent of gross household income.
 - c. The current rent structure.

Participants would pay no more than 30 percent of their income for rent and in many cases would pay less than that.

2. Agencies would continue to implement a minimum rent

provision.

3. Where HAs opt to use an alternative rent structure, recertify family income would once every 5 years,
 - a. Inflate tiered rents by the proportional change in AMI in intervening years, and
 - b. Inflate percent of gross income rents by changes reported in UIV systems, and
4. Where HAs opt to use the current rent structure, continue the current recertification standards.
5. Base recertification of income on prior year information.
6. Continue to require that HAs implement hardship provisions tailored to the rent structure chosen by the HA.
7. Continue to permit tenants to request interim rent adjustments to accommodate declines in income that exceed a locally established threshold.

Regulatory Simplification

Inspections

REAC inspection requirements will suffice to evaluate the quality of public housing operated by small HAs. They would be subject to no further federal public housing inspection requirements.

The SEMAP HQS inspection requirements will be the only federal HCV program inspection requirement for small HAs.

Other Rules

Continue Annual Plan regulatory simplification, including public hearing requirements, in the Housing and Economic Recovery Act of 2008.

The retained provisions contained in the Housing Innovation Program in the version of SEVRA adopted by the House would become the regulatory structure for small HAs. Other current requirements (e.g. FSS, Section 3, Community Service) would become optional.

Small HAs may opt out of Operating Fund eligibility and retain Capital Fund eligibility (with obligation and expenditure deadlines) if they continue to comply with targeting and admission requirements.

Facilitating Development

Expand the fungibility of federal housing resources for small HAs.

Permit use of prevailing wage rates in small HAs' development projects.

Provide Replacement Housing Factor resources to small HAs in more useful lump sums.

Remove the cap on project basing small HAs' HCV inventory.

Rationalize the Definition of Small

Congress adopted a threshold of 550 combined units for small HAs in the Housing and Economic Recovery Act of 2008. At the present time, agencies with 100 public housing units are exempt from deconcentration requirements, HAs with 401 public housing units are exempt from asset management, agencies with 550 combined units are relieved from some annual plan requirements, and HAs with 250 public housing units may combine all of their Capital Fund resources with Operating Fund resources. To simplify and rationalize the treatment of small HAs, create a single definition of small HAs that offers significant relief to both HAs and to HUD and that constrains programmatic and budgetary risk for the federal government.

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Conclusion

PHADA's proposal would rationalize the designation and treatment of small HAs, would relieve those agencies of substantial administrative burden, would provide their tenants and participants understandable, easily calculated rents, and would offer robust tenant protections and honor current limits on rent ratios in deeply assisted housing. The proposal would also relieve HUD of substantial oversight burdens that are currently applied to all HAs regardless of their size or of the risk they represent to federally assisted housing programs. ■